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Message Text

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15
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 XMB-02 /052 W
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R 101000Z OCT 75
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 9732
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DEPT. PASS TO EXIMBANK AND TREASURY

E.O. 11652: N/A
TAGS: EFIN, EEC
SUBJECT: PROPOSED EUROPEAN EXPORT BANK -- EC REACTION IS MIXED

REF: A. EC BRUSSELS 6908 B. ROME 9036

1. BEGIN SUMMARY: THE EC COMMISSION IS PLANNING TO PROPOSE TO THE COUNCIL THE ESTABLISHMENT OF AN EUROPEAN EXORT BANK (REF A) WITHIN THE NEXT SIX MONTHS. THE COUNCIL IS NOT EXPECTED TO ACT PROMPTLY ON SUCH A PROPOSAL. THE FRG IS OPPOSED. END SUMMARY.

2. DURING THE RECENT VISIT OF GOODMAN OF THE EXIMBANK AND CANNER OF TREASURY, THE MISSION HAD THE OPPORTUNITY TO OBTAIN A CURRENT ASSESSSMENT OF THE PROSPECTS OF AN EC ECPOST BANK. OFFICIALS HERE DIFFER OVER THE BANK'S PROSPECTS, BUT OFFICIALS OUTSIDE OF THE COMMISSION BELIEVE ITS PROSPECTS ARE NOT GOOD. PRESIDENT ORTOLI IS PRESSING FOR A COMMISSION DECISION ON THIS PROPOSAL BY YEAR END BUT SUCH A DECISION WILL LIKELY SLIP BY AT LEAST SEVERAL MONTHS. NO ONE EXPECTS PROMPT MEMBER STATE ACTION. IN FACT, EC COUNCIL OFFICIALS BELIEVE THE MEMBER STATES ARE NOT LIKELY TO AGREE TO THE PROPOSED BANK. PERMDEL SOURCES SAY
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MOST MEMBER STATES WOULD LIKE THE EC TO COOPERATE IN FINANCING

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EXPORTS FOR LARGE MULTINATIONAL PROJECTS BUT SUCH COOPERATION DOES NOT REQUIRE THE ESTABLISHMENT OF A NEW INSTITUTION.

3. THE FRG IS OPPOSED TO ESTABLISHING A BANK IN PART BECAUSE OF BUDGETARY IMPLICATIONS. THE COMMISSION CONSEQUENTLY MAY DELAY FINAL COUNCIL CONSIDERATION OF THE PROPOSAL UNTIL AFTER GERMANY'S GENERAL ELECTIONS NEXT YEAR. IN THE INTERIM THE COMMISSION MAY ONLY SEEK MEMBER STATE AGREEMENT IN PRINCIPLE TO A BANK.

4. THE COMMISSION IS CONSULTING WITH PUBLIC AND PRIVATE BUSINESSES AND INSUREERS TO OBTAIN THEIR REACTION TO THE BANK. PRELIMINARY REACTIONS INDICATE AT LEAST SOME EUROPEAN BUSINESSES FAVOR THE BANK. THE EC MONETARY COMMITTEE TOOK UP ON OCTOBER 3 THE COMMISSION'S INTERIM REORT ON THE BANK. THE COMMITTEE DECIDED TO DEFER A DISCUSSION OF THE MONETARY IMPLICATIONS OF THIS PROPOSAL UNTIL THE EC WORKING GROUP ON EXPORT CREDIT HAD A CHANCE TO CONSIDER THE COMMERCIAL ASPECTS OF THE BANK. THE GROUP PLANS TO TAKE UP THIS ISSUE AT ITS OCTOBER 16-17 MEETING.

5. COMMISSION OFFICIALS EMPHASIZE THAT THE PORPOSED BANK IS NOT DEWIGNED TO INTENSIFY EXPORT CREDIT COMPETITION. INSTEAD, THE BANK WILL ENABLE THE EC TO MATCH THE CREDIT TERMS OFFERED BY ITS MAJOR COMPETITORS. THESE OFFICIALS ADD THAT A BANK WOULD, OF COURSE, OBSERVE THE TERMS OF AN EXPORT CREDIT GENTLEMEN'S AGREEMENT, SHOULD SUCH AN AGREEMENT BE SUCCESSFULLY CONCLUDED. GREENWALD

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